Answer Key -- Sectors of the Indian Economy

Chapter 2 · Economics

Reading Guide · Glossary · Comprehension · Practice Questions · 10 Puzzles

NCERT Companion Workbook · Based on “Understanding Economic Development, NCERT Class X”

Comprehension Questions -- Answered

Q1. Explain the difference between primary, secondary and tertiary sectors using examples not given in the chapter.

Answer: Primary sector activities directly use natural resources, such as beekeeping for honey or quarrying stone. Secondary sector activities transform raw materials into new products, such as turning stone into cut tiles in a factory. Tertiary sector activities support the other two without producing a physical good, such as a wholesale trader storing and transporting the tiles to shops. Together the three sectors show how a single raw resource travels from nature to a finished good to the final buyer.

Q2. Why are only final goods and services counted while calculating GDP?

Answer: Intermediate goods, such as flour used to make biscuits, already have their value folded into the price of the final product. If both the flour and the finished biscuits were counted separately, the same value would be added to national output more than once. Counting only final goods avoids this double counting and gives an accurate figure for what the economy actually produced in a year. This is why GDP calculations deliberately exclude goods that are used up in making something else.

Q3. Why has the tertiary sector's share of output grown faster than its share of employment in India?

Answer: Production in services has expanded rapidly because of rising demand for banking, transport, IT-based work and other activities, but many of these newer services need relatively few workers for the value they generate. At the same time, a huge number of people remain in agriculture, which employs far more people than its share of output would suggest. As a result, national output has shifted heavily toward the tertiary sector while employment has not shifted at nearly the same pace. This mismatch is why India's employment pattern still looks quite different from that of developed countries.

Q4. What is disguised unemployment, and how does the example of a small farm illustrate it?

Answer: Disguised unemployment occurs when people appear to be working but are contributing far less than their actual capacity because there are more workers than the task genuinely requires. On a small unirrigated plot, an entire family may work the land together even though two or three members could complete the same work alone. Removing the extra family members would not reduce the farm's output at all, proving their labour was not really adding value. This hidden inefficiency is common in Indian agriculture and is different from someone who is openly out of work and visibly unemployed.

Q5. Distinguish between the organised and unorganised sectors using the working conditions of Kanta and Kamal.

Answer: Kanta works fixed hours, receives a regular monthly salary, provident fund and paid holidays, and was given a formal appointment letter, all features of the organised sector. Kamal is paid daily wages with no leave, no benefits and no written employment terms, and can be dismissed at any time, which are hallmarks of the unorganised sector. The organised sector is governed by laws that guarantee job security and benefits, while the unorganised sector largely escapes such regulation in practice. This gap in protection is why a large share of unorganised workers, especially in rural India, need specific policy support.

Q6. Why does the government take responsibility for activities like building roads, dams and running schools rather than leaving them to private companies?

Answer: Some projects require enormous upfront spending that is beyond what private firms find profitable to undertake, such as large irrigation dams or nationwide rail networks. Collecting fair charges from thousands of scattered users of such facilities is also difficult, making private provision impractical or unfairly expensive. Certain services, like elementary education and basic healthcare, are considered essential for everyone regardless of ability to pay, which private firms driven by profit are unlikely to guarantee. The government therefore steps in to ensure these services remain available and affordable for the whole population.

Short-Answer Practice -- Model Answers

Q1. What are the three sectors based on the nature of economic activity?

Answer: Primary, secondary and tertiary sectors.

Reasoning: *Reasoning: this classification groups activities by whether they extract natural resources, transform them into goods, or provide supporting services.*

Q2. Why is agriculture called the primary sector?

Answer: Because it forms the base for all other products by using natural resources directly.

Reasoning: *Reasoning: most raw material used in manufacturing originates from farming, fishing, forestry or mining, so these activities are treated as the starting point of production.*

Q3. What is the key difference between organised and unorganised sector jobs?

Answer: Organised sector jobs are regulated and secure; unorganised sector jobs are irregular and unprotected.

Reasoning: *Reasoning: registration with the government and adherence to labour laws determine whether workers receive guaranteed benefits like leave and pensions.*

Q4. Give one example each of a public sector and a private sector enterprise mentioned in the chapter.

Answer: Railways is public sector; Tata Iron and Steel Company is private sector.

Reasoning: *Reasoning: ownership of assets, not the type of product, determines whether an enterprise belongs to the public or private sector.*

Q5. Why does removing workers from Laxmi's small farm not reduce its output?

Answer: Because the farm already has more workers than needed, so labour is being underused, not fully employed.

Reasoning: *Reasoning: this is disguised unemployment, where the marginal contribution of extra family workers on a small plot is effectively zero.*

Q6. What was the main purpose of MGNREGA 2005?

Answer: To guarantee at least 100 days of paid rural employment a year to those who need work.

Reasoning: *Reasoning: it aimed to provide a legal right to work as a quick, short-term measure against rural unemployment while longer-term investments in irrigation and infrastructure took effect.*

Objective Practice

A. Multiple Choice Questions

1. Cultivation of cotton belongs to the

✓ **a) primary sector**

b) secondary sector

c) tertiary sector

d) public sector

2. Turning cotton fibre into cloth belongs to the

a) primary sector

✓ **b) secondary sector**

c) tertiary sector

d) informal sector

3. GDP is the value of

a) all goods and services produced

✓ **b) only final goods and services produced**

c) only intermediate goods produced

d) only exported goods

4. In 2017-18, the largest producing sector in India by GVA was the

a) primary sector

b) secondary sector

✓ **c) tertiary sector**

d) public sector

5. Which sector continues to employ the largest share of India's workers?

✓ **a) Primary**

b) Secondary

c) Tertiary

d) Public

6. Underemployment occurs when people are

a) unwilling to work

✓ **b) working less than their full potential**

c) unemployed and jobless

d) working overtime

7. A worker with a regular salary, provident fund and paid leave is typically in the

a) unorganised sector

b) informal sector

✓ **c) organised sector**

d) self-employed sector

8. Railways and the post office in India are examples of the

a) private sector

✓ **b) public sector**

c) unorganised sector

d) informal sector

9. MGNREGA 2005 guaranteed rural households up to how many days of employment a year?

a) 50

b) 75

✓ **c) 100**

d) 150

10. A dal mill set up to process farmers' pulses is an example of creating employment in

a) only urban centres

✓ **b) semi-rural areas**

c) the public sector only

d) foreign countries

B. True or False

1. The secondary sector is also called the industrial sector. -- TRUE
2. Only intermediate goods are counted while calculating GDP. -- FALSE
3. Employment in the tertiary sector has grown at exactly the same pace as its output. -- FALSE
4. Disguised unemployment is also called hidden unemployment. -- TRUE
5. Workers in the unorganised sector generally enjoy job security and paid leave. -- FALSE
6. Ownership of assets is the basis for classifying an activity as public or private sector. -- TRUE
7. Cooperatives and self-help groups are examples of primary sector activity. -- FALSE
8. Government investment in irrigation and rural roads can help reduce underemployment. -- TRUE

C. Match the Following

Column A	Column B
1. Primary sector	a) Scheme guaranteeing rural employment days
2. Secondary sector	b) Registered enterprises following labour laws
3. Tertiary sector	c) Small units largely outside government regulation
4. GDP	d) Directly uses natural resources
5. Organised sector	e) Supports production without making a physical good
6. Unorganised sector	f) Transforms raw material into a manufactured good
7. Public sector	g) Total value of final goods and services produced in a year
8. MGNREGA	h) Government owns assets and delivers services

Answers: 1-d, 2-f, 3-e, 4-g, 5-b, 6-c, 7-h, 8-a

Higher-Order Thinking (HOTS) Questions -- Model Answers

Q1. India's tertiary sector produces the largest share of national output, yet the primary sector still employs the most workers. Explain why this pattern is a policy concern.

Answer: This mismatch means a huge portion of the workforce is stuck in low-output farm work while national wealth is increasingly generated elsewhere in the economy. Workers left behind in agriculture often earn far less on average than those employed in expanding service or industrial jobs. It signals that not enough new jobs have been created in the secondary and tertiary sectors to absorb people moving out of underemployed farm work. Policymakers see this as a warning that growth alone is not enough; job creation must be deliberately targeted toward sectors where surplus agricultural labour can be productively used.

Q2. Suggest two concrete ways the government could reduce underemployment in agriculture, drawing on ideas from the chapter.

Answer: Building irrigation infrastructure, like wells, canals and dams, allows farmers to grow a second crop in the same year, creating genuine extra work rather than just spreading existing tasks thinner. Supporting rural agro-processing, such as cold storage units or small mills that process local crops, creates new non-farm jobs close to villages so surplus farm labour has somewhere productive to move. Both approaches convert idle or underused labour into work that actually adds to output, unlike simply keeping more people occupied on the same small plot.

Q3. Why might workers prefer organised sector jobs even when unorganised sector wages are sometimes comparable in the short term?

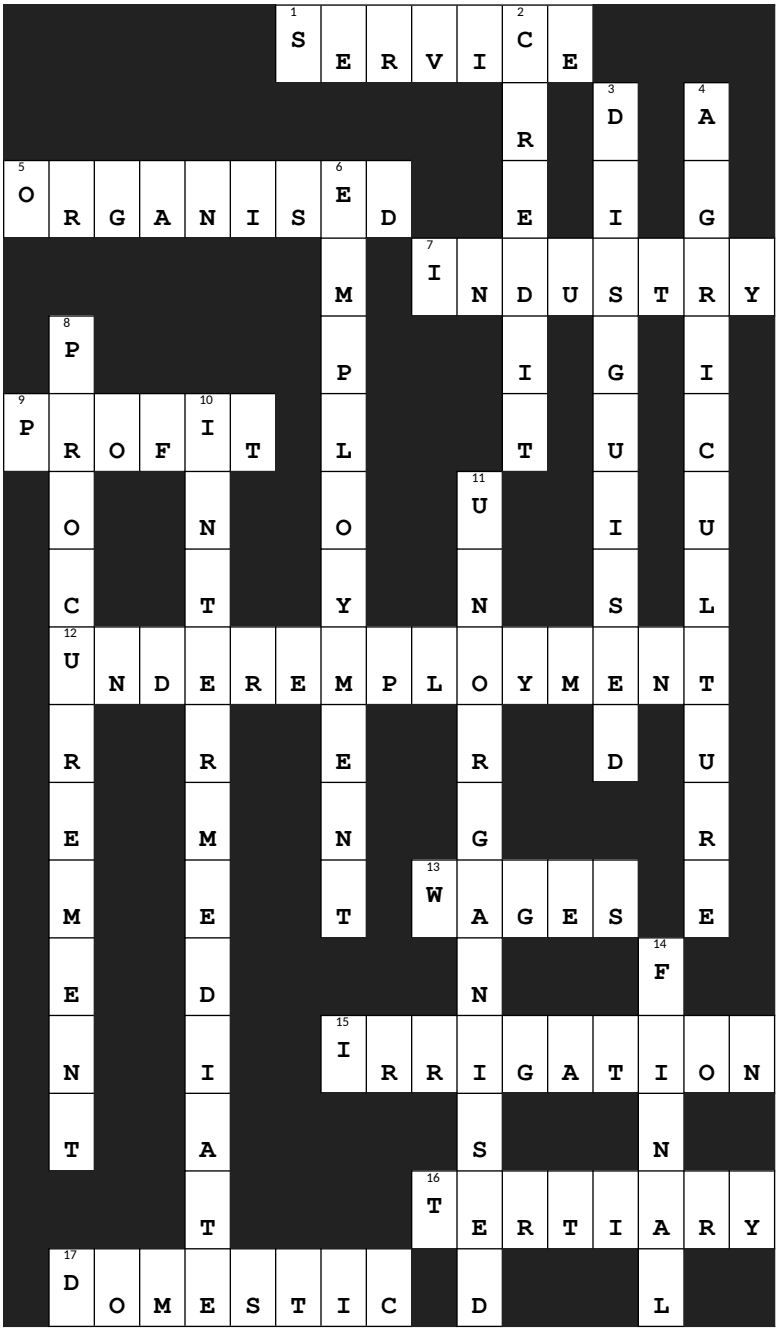
Answer: Organised sector jobs come with legally guaranteed protections such as fixed working hours, paid leave, provident fund and safety regulations that unorganised jobs typically lack entirely. These protections provide long-term security, covering situations like illness, old age or economic downturns, which unorganised workers must absorb entirely on their own. Even if daily wages look similar at times, the absence of any safety net in the unorganised sector makes a worker's overall economic position far more precarious. This is why expanding organised employment, not just any employment, matters for genuine worker welfare.

Q4. A local government is deciding whether a new bridge should be built by a private company or by the government itself. Using ideas from the public-private sector discussion, explain the tradeoffs.

Answer: A private company would likely require the bridge to be commercially profitable, meaning it might charge tolls high enough to exclude poorer residents or refuse to build the bridge at all if traffic looks insufficient. The government can justify building the bridge purely because it serves the wider public good, spreading the large upfront cost across the whole tax base rather than passenger fees alone. However, private construction might bring efficiency or faster completion in some cases, so many governments now use partnerships combining public funding oversight with private execution. The key tradeoff is between guaranteed public access and possible private-sector efficiency, which is exactly why some services stay public while others are opened to private players.

Puzzle Pack -- 10 Puzzles for This Chapter

1. Crossword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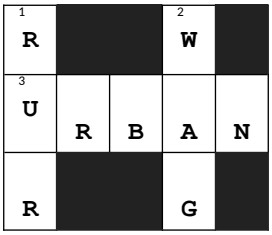
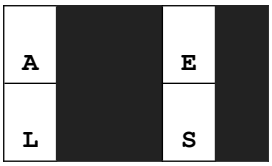
R 3 D 4 A
5 O R G A N I S 6 E D E I G
7 I N D U S T R Y M
8 P P I G I
9 P R O F 10 I T L T U C
11 U O N O I U
C T Y N S L
12 U N D E R E M P L O Y M E N T
R R E R D U
E M N G R
M E T 13 W A G E S E
E D N 14 F
N I 15 I R R I G A T I O N
T A S N
T 16 T E R T I A R Y
17 D O M E S T I C D L

2. Mini Crossword





3. Word Search

T	N	C	R	E	D	I	T	C	I	L	B	U	P	E
R	N	C	Y	R	A	D	N	O	C	E	S	D	Y	P
O	I	N	T	E	R	M	E	D	I	A	T	E	T	R
P	Z	A	N	M	L	C	M	K	I	E	J	S	I	O
S	K	W	O	E	C	U	Y	F	N	R	Z	I	U	C
N	E	Y	I	M	Q	N	O	Y	D	U	C	U	T	U
A	T	R	T	P	O	O	L	R	U	T	I	G	A	R
R	A	A	A	L	R	R	P	A	S	L	T	S	R	E
T	V	M	G	O	G	G	M	I	T	U	S	I	G	M
W	I	I	I	Y	A	A	E	T	R	C	E	D	L	E
A	R	R	R	M	N	N	R	R	Y	I	M	G	A	N
G	P	P	R	E	I	I	E	E	Q	R	O	X	N	T
E	W	D	I	N	S	S	D	T	H	G	D	X	I	C
S	O	V	G	T	E	E	N	W	E	A	D	Z	F	S
U	R	B	A	N	D	D	U	S	E	R	V	I	C	E

4. Cryptogram

Encoded: WOKSJYW BYO RYJFUOL IH BKSVXVSH, MJYD SOYZW, BAL MGJ JMAW SGOZ.

Plain: Sectors are grouped by activity, work terms, and who owns them.

Key: A=N B=A C=Q D=K E=F F=U G=H H=Y I=B J=O K=C L=D M=W N=Z O=E P=X Q=J R=G S=T T=L U=P V=I W=S X=V Y=R Z=M

5. Caesar Coded Message

Encoded: AMKBWZA WN BPM QVLQIV MKWVWUG. AMKBWZA IZM OZWCXML JG IKBQDQBG, EWZS BMZUA, IVL EPW WEVA BPMU.

Plain: Sectors of the Indian Economy. Sectors are grouped by activity, work terms, and who owns them.

Shift: 8

6. Word Scramble

1. UREALGRIUTC → AGRICULTURE

2. NPEEMYMTOL → EMPLOYMENT

3. SRAOGDNIE → ORGANISED

4. IFNAL → FINAL

5. TEYPNEDOEMNMRUL → UNDEREMPLOYMENT

6. AGWSE → WAGES

7. RICTDE → CREDIT

8. CORPNEUERTM → PROCUREMENT

9. RNADNSEIGUO → UNORGANISED

10. DYEOANRSC → SECONDARY

7. Acrostic

T -- TERTIARY

E -- EMPLOYMENT

R -- RURAL

T -- TRANSPORT

I -- INDUSTRY

A -- AGRICULTURE

R -- PRIMARY

Y -- SECONDARY

Theme: TERTIARY

8. Match the Pairs

A → 7

B → 5

C → 3

D → 1

E → 8

F → 4

G → 2

H → 6

9. Fill in the Blanks

1. When the government owns the assets and runs the service, it belongs to the _____ sector. → PUBLIC

2. A good used up entirely in making another product is called an _____ good. → INTERMEDIATE

3. Farming and fishing belong to the _____ sector because they use natural resources directly. → PRIMARY

4. Enterprises that follow government rules and give workers job security form the _____ sector. → ORGANISED

5. Water supplied to farms artificially through canals or wells is called _____. → IRRIGATION

6. Banking, transport and trade are examples of the _____ sector. → TERTIARY

7. Workers who appear busy but contribute little extra output suffer from _____. → UNDEREMPLOYMENT

8. Turning raw cotton into cloth is an activity of the _____ sector. → SECONDARY

10. Odd One Out

1. Organised -- not a nature-of-activity sector classification

2. Farmer -- the only primary sector occupation in the group

3. No written contract -- a feature of unorganised, not organised, employment

4. Tata Steel -- the only privately owned enterprise in the group